

Message Text

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ACTION ARA-17

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 4147

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E. O. 11652: N/ A

TAGS: ENRG EFIN HO

SUBJECT: PRICE INCREASES FOR GASOLINE AND OTHER FUELS

1. BEGIN SUMMARY: GOH HAS REFUSED TO ALLOW DISTRIBUTORS TO INCREASE PRICES. GOVERNMENT MAY FREEZE PRICES AT REFINERY IN ORDER TO AVOID RETAIN PRICE INCREASES TO FINAL CONSUMERS. END SUMMARY.

2. MANAGERS OF LOCAL DISTRIBUTOR COMPANIES, MOBIL AND CHEVRON, CALLED ON AMBASSADOR TO REVIEW CURRENT SITUATION CONCERNING THEIR ATTEMPTS TO OBTAIN GOVERNMENT APPROVAL FOR INCREASES AT RETAIL LEVEL OF FUEL PRICES TO COMPENSATE FOR INCREASES IN INTERNATIONAL PETROLEUM PRICES. AFTER LENGTHY NEGOTIATIONS DISTRIBUTORS HAD OBTAINED PRELIMINARY APPROVAL FROM CRUZ ADMINISTRATION TO INCREASE PRICE IN JANUARY, 1973. WITH CHANGE OF GOVERNMENT IN DECEMBER, HOWEVER, THIS AGREEMENT LAPSED AND DISTRIBUTION COMPANIES BEGAN CONVERSATIONS WITH NEW GOVERNMENT TO OBTAIN INCREASES.

3. EARLY CONVERSATIONS WITH MINECON BENNATON WERE ENCOURAGING SINCE BENNATON ACCEPTED FACT THAT RECENT INCREASES IN PRICES IN INTERNATIONAL PETROLEUM PRICES MIGHT WELL JUSTIFY PRICE INCREASES TO CONSUMER. AT HIGH LEVEL MEETING BETWEEN BENNATON, MINISTER OF FINANCE

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ACOSTA AND FOREIGN MINISTER BATRES, ACOSTA APPARENTLY TOOK LEADERSHIP ON ISSUE AND CATEGORICALLY STATED PUBLICALLY THAT CONSUMER PRICES WOULD NOT INCREASE. HE HAS ADAMANTLY MAINTAINED THIS POSITION AND BENNATON HAS INDICATED THAT HE NO LONGER HAS ANY RESPONSIBILITY FOR PRICE DECISION (ALTHOUGH LEGALLY THIS MINISTRY IS RESPONSIBLE) AND THAT ACOSTA IS NOW HANDLING THE WHOLE PROBLEM. BENNATON HAS INDICATED TO DISTRIBUTORS THAT GOH MAY FREEZE REFINERY PRICES TO FEBRUARY LEVEL AND NOT ALLOW MOST RECENT PRICE INCREASE IN APRIL TO BE PASSED ON TO DISTRIBUTORS.

4. COMMENT: URBAN TRANSPORTATION GROUPS ARE ALREADY PRESSING GOH FOR 50 PERCENT INCREASE IN RATES BASED ON INCREASES IN COST OF SPARE PARTS. GOVERNMENT OBVIOUSLY RELUCTANT TO INCREASE FUEL PRICES TO ULTIMATE CONSUMER AND ADD FUEL TO FIRE. EMBASSY NOT AWARE ON WHAT BASIS ACOSTA REFUSED TO ALLOW DISTRIBUTORS TO INCREASE PRICE. FREEZING OF REFINERY PRICES WOULD JUST SHIFT PROBLEM TO TEXACO FROM DISTRIBUTION COMPANIES. ACCORDING TO MOBIL DISTRIBUTOR, IF HE COULD NOT PASS ON MOST RECENT PRICE INCREASE IN APRIL TO CONSUMER, HE WOULD BE LOSING \$750,000 A YEAR ON HIS INVESTMENT OF \$4.5 MILLION. OTHER DISTRIBUTION COMPANIES WOULD LOSE PROPORTIONATELY. FREEZING OF PRICES TO FEBRUARY LEVEL WOULD ALLOW DISTRIBUTION COMPANIES, WITH CAREFUL COST CONTROLS AND ASSUMING NORMAL INCREASE IN VOLUME, TO REGAIN PROFITABLE LEVEL BY NEXT YEAR.

5. ACTION REQUESTED: EMBASSY WILL INFORMALLY BRING PROBLEM UP WITH ACOSTA AND BENNATON AT APPROPRIATE OPPORTUNITY BUT WOULD APPRECIATE DEPARTMENT'S INSTRUCTIONS AS TO ANY FURTHER FORMAL ASSISTANCE THE EMBASSY MIGHT EXTEND. THERE IS NO QUESTION OF DISCRIMINATION SINCE ALL DISTRIBUTION COMPANIES, INCLUDING SHELL, ARE BEING TREATED ALIKE. MOBIL REPRESENTATIVE REQUESTED THAT EMBASSY ASSIST IN OBTAINING APPOINTMENT FOR CHIEF OF STATE LOPEZ FOR HIGH LEVEL MOBIL OFFICIAL SOON TO VISIT HONDURAS. IT WAS POINTED OUT THAT LOPEZ IS A SELECTIVE LISTENER AND HAS LONG HABIT OF REFUSING TO PAY ATTENTION TO ANYTHING HE DOESN'T WISH TO HEAR SO THAT EVEN IF APPOINTMENT OBTAINED, LITTLE WOULD BE ACCOMPLISHED BY SEEING LOPEZ AT THIS STAGE.

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